

Income Inequality in the Twin Cities Region: Part III

With high rates of employment and homeownership and low poverty, the Twin Cities has an impressive social and economic profile compared to other large U.S. metro areas.¹ However, these successes do not insulate our region from disparities and inequality. Inspired by a *New York Times* analysis published in September 2016, "[The Geography of U.S. Inequality](#)" [LINK], we're analyzing income inequality in the Twin Cities region in a three-part series.

Our previous reports concluded income inequality had increased among households in the Twin Cities region. The region's low- and middle- income households experienced the largest net losses in income between 2000 and 2015, which virtually wiped out gains from economic expansion of the 1990s. Over the same period, net losses for higher-income households were slight.

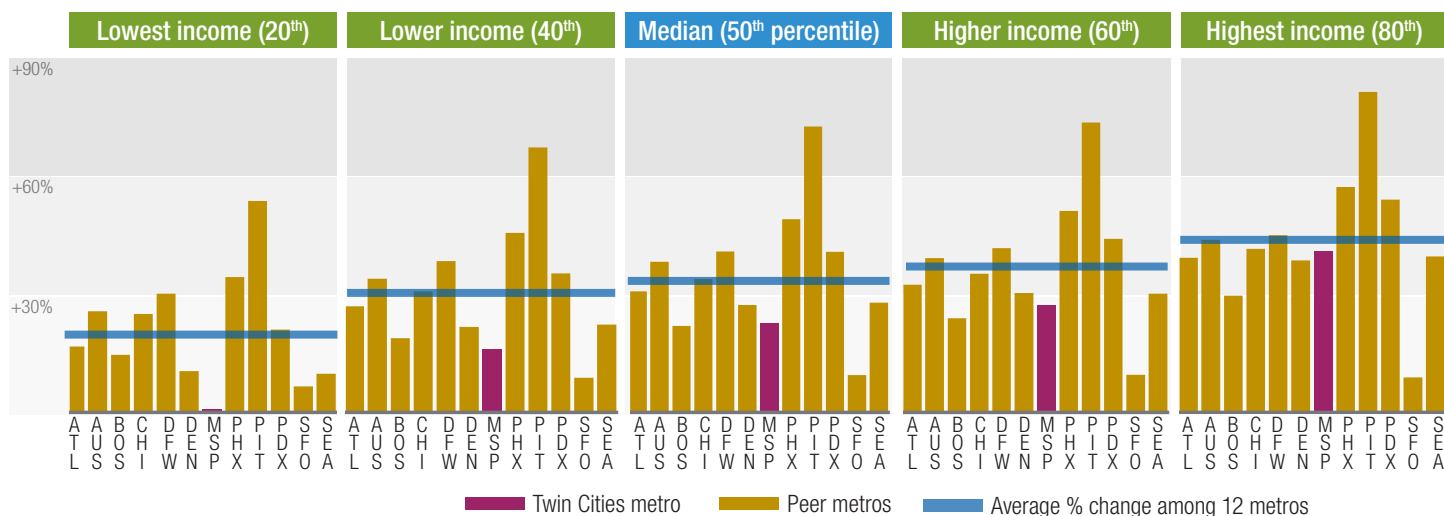
In our third and last installment, we compare patterns of income inequality in 12 metropolitan statistical areas in the U.S., including the Twin Cities.² Because the geographies of metros change, we've limited our study period to 2000 and 2015, when metro boundaries were largely comparable. Also worth noting is that each metro's household income range differs: for example, San Francisco's 2015 median household income (\$89,469) is higher than that of the Twin Cities (\$71,593), which is higher than that of Phoenix (\$56,034). To make comparisons across relative distributions, we look at the same five points across each distribution—percentiles.³

The Twin Cities metro's low-income households fared worse than counterparts in peer metros

The overall trend across the twelve metros analyzed is that high(er)-income households experienced larger economic gains than low(er)-income households between 2000 and 2015 (Figure 1). The Twin Cities metro stands out among the rest, however.

In peer metros, low-income households experienced income gains ranging from +6.7% (San Francisco) to +54.2% (Pittsburgh) between 2000 and 2015; in the Twin Cities metro, it was far lower (+1.0%). At the other end of the spectrum, incomes for the Twin Cities metro's highest-income households increased +41.3%, more closely aligning with the 12-metro average (at +43.7%). This lopsided growth was most pronounced in the Twin Cities metro but also observed in Seattle, Denver, Portland, and Atlanta.

FIGURE 1. CHANGE IN HOUSEHOLD INCOME IN 12 METROS BETWEEN 2000 AND 2015



Source: U.S. Census Bureau, Public Use Microdata Samples, 2000 and 2015. Household income was adjusted for inflation.

Note(s): We are using largely comparable metropolitan statistical areas, as identified by U.S. Office of Management and Budget. Peer metros include Atlanta (ATL), Austin (AUS), Boston (BOS), Chicago (CHI), Dallas-Fort Worth (DFW), Denver (DEN), Phoenix (PHX), Pittsburgh (PIT), Portland (PDX), San Francisco (SFO), and Seattle (SEA).

The Twin Cities metro's income inequality is comparatively low but growing fast

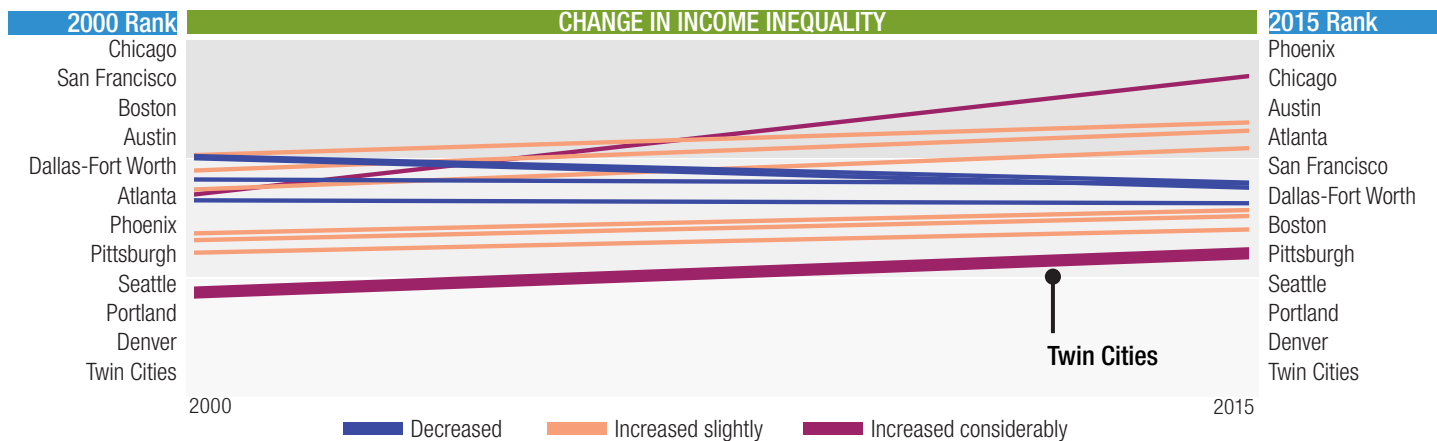
We now know that the nature of recent income inequality in the Twin Cities metro is somewhat distinct: compared with peer metros, the recent rise in income inequality was disproportionately borne by the economic stagnation of low-income households. However, we have yet to place the Twin Cities metro's income inequality in the broader context: where does it rank?

There wasn't one overarching narrative in patterns of income inequality as there was with changes in household income. Rather, metros were split into two groups (Figure 2):

- Income inequality declined in four metro areas between 2000 and 2015: Boston, San Francisco, Dallas-Fort Worth, and Pittsburgh (Figure 2, in blue). As a result, the relative ranking of Boston dropped from third to seventh and San Francisco went from 2nd to 5th, respectively.
- In the majority of metros (eight), income inequality increased over this period. In fact, the Twin Cities metro had the second-fastest growth rate of income inequality at 27%, behind only Phoenix (49%), and ahead of Atlanta (17%) and Austin (15%). Phoenix's rank jumped from seventh to first.

Our final takeaway from Figure 2 is that even with the Twin Cities metro's considerable increase in income inequality, it still had the lowest level of income inequality both in 2000 and in 2015, ranking last among peer metros in both years. If the growth in income inequality continues at this rate, however, it won't be long before the Twin Cities climbs in these rankings.

FIGURE 2. CHANGE IN INCOME INEQUALITY IN 12 METROS BETWEEN 2000 AND 2015



Source: U.S. Census Bureau, Public Use Microdata Samples, 2000 and 2015.

Note(s): Figure 2 uses the Variance of Logged Incomes to assess levels of income inequality among households across 12 metropolitan statistical areas as defined by the 2013 geographic boundaries published by the U.S. Office of Management and Budget. We also looked at the Mean Logarithmic Deviation and Theil Index as income inequality measures: the trends were similar.

Our Income Inequality series has shown both the seven-county region and the larger Twin Cities metro are experiencing rising income inequality (see [Part I \[PDF\]](#)), and these patterns within race/ethnic groups differ (see [Part II \[PDF\]](#)). Recent wage stagnation among low- and middle-income households, limited intergenerational income mobility, and shifts in global market dynamics are among the main factors driving income inequality. Although income inequality remains comparatively low in the Twin Cities, its recent growth at the expense of low-income households is concerning. Left unaddressed, growing income inequality has the potential to undermine the region's future economic competitiveness and prosperity.

Endnotes

¹ See our *MetroStats*, "[Behind the Curve: Racial and Ethnic Disparities in the Twin Cities Metro in 2015](#)," [PDF] for a full discussion.

² We use peer regions as defined by Greater MSP. For more information see <http://greatermsp.org> [LINK].

³ Percentiles are calculated by splitting households in a metro into 100 equally sized groups based on income. A household with an income that falls in the 40th percentile, for example, has an income higher than 39% of other households but lower than 60% of the other households in the region.